
LITHIUM AUSTRALIA NL

ABN 29 126 129 413

NOTICE OF GENERAL MEETING

TIME: 9:00 am WST

DATE: 11 October 2021

PLACE: Level 1
677 Murray Street
West Perth WA 6005

This Notice of General Meeting and accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary, Mr Barry Woodhouse on (08) 6145 0288.

TIME AND PLACE OF MEETING AND HOW TO VOTE

TIME AND PLACE

The General Meeting (AGM) will be held at **9:00 am WST on 11 October 2021** at Level 1, 677 Murray Street, West Perth WA 6005.

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

ATTENDANCE AND VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 9:00 am WST on 9 October 2021.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING ONLINE

To vote online, go to www.advancedshare.com.au (and you will need your SRN or HIN to log in).

VOTING BY PROXY

You can appoint a proxy to attend and vote on your behalf as an alternative to attending the Meeting in person or casting a direct vote.

A proxy need not be a Shareholder and may be an individual or a company. If you are entitled to cast two or more votes at the Meeting, you may appoint up to two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes.

To vote by proxy, please vote online or complete and sign the enclosed Proxy Form in accordance with the instructions set out on the form and either send the Proxy Form:

- i. by voting online at www.advancedshare.com.au;
- ii. by delivering it in person to Advanced Share Registry Limited, 110 Stirling Highway, Nedlands WA 6009;
- iii. by post, to Advanced Share Registry Limited, PO Box 1156, Nedlands WA 6909;
- iv. by facsimile to the Company's Share Registry on +61 8 6370 4203; or
- v. by email to admin@advancedshare.com.au in pdf format.

so that your vote is received not later than **9:00 am WST on 9 October 2021**.

Proxy Forms received later than this time will be invalid.

Important Information for Shareholders

In accordance with ASIC's no action statement in its media release of 29 March 2021, the Company will not dispatch physical copies of the Notice of General Meeting. Instead a copy of the Notice is available to be viewed and/or downloaded on the ASX market announcements platform at <https://www2.asx.com.au/markets/trade-our-cash-market/announcements> and enter LIT at the prompt or on the Company's website at <https://lithium-au.com/announcements/>.

The Notice of Meeting is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser. If you have any difficulties in obtaining a copy of the Notice please contact me via mail at Barry.Woodhouse@lithium-au.com or by telephone +61 8 6145 0288.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Lithium Australia NL will be held at Level 1, 677 Murray Street, West Perth WA 6005 at 9:00 am WST on 11 October 2021.

The Explanatory Memorandum provides additional information on matters to be considered at the General Meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary unless defined elsewhere in the Explanatory Memorandum.

AGENDA

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF 830,045 SHARES TO SENIOR MANAGERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That under and for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders hereby ratify and approve the issue by the Company of 830,045 Shares to senior managers of the Company on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Xavier Pty Ltd and General Research AG or any of their associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF 15,000,000 SHARES TO ACUITY CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That under and for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders hereby ratify and approve the issue by the Company of 15,000,000 Shares to Acuity Capital Investment Management Pty Ltd on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Acuity Capital Investment Management Pty Ltd, or any associate of Acuity Capital Investment Management Pty Ltd.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF 3,125,000 SHARES TO DEUTSCHE ROHSTOFF AG

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That under and for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders hereby ratify and approve the issue by the Company of 3,125,000 Shares to Deutsche Rohstoff AG, on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion Statement: The Company will disregard any votes cast in favour of this Resolution by or on behalf of Deutsche Rohstoff AG or any of its associates.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF 15,000,000 SHARES TO ACUITY CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That under and for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders hereby ratify and approve the issue by the Company of 15,000,000 Shares to Acuity Capital Investment Management Pty Ltd on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Acuity Capital Investment Management Pty Ltd, or any associate of Acuity Capital Investment Management Pty Ltd.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. RESOLUTION 5 – APPROVAL OF LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That under and for the purpose of ASX Listing Rule 7.2 (Exception 13(b)), ASX Listing Rule 10.14 and for all other purposes, approval is given to adopt the Lithium Australia NL Securities Incentive Plan and to issue securities under that plan, and to issue Shares pursuant to those securities, from time to time upon the terms and conditions and in the manner described in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who is eligible to participate in the Lithium Australia NL Securities Incentive Plan or any associates of such persons.

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In accordance with sections 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluding from voting on this Resolution and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution but expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – APPROVAL OF TERMINATION BENEFITS UNDER LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“Subject to the passing of Resolution 5 that, for the purpose of sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the giving of termination benefits under the Lithium Australia NL Securities Incentive Plan by the Company to a person or their associates in connection with that person ceasing to hold a managerial or executive office in the Company or a related body corporate of the Company, as detailed in the Explanatory Memorandum.”

Voting Prohibition Statement

In accordance with section 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution but expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO KRISTIE YOUNG, DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“Subject to the passing of Resolution 5, that under and for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised to issue 3,750,000 Performance Rights to Ms Kristie Young (who is a Director) and/or her nominee(s) pursuant to the Lithium Australia NL Securities Incentive Plan on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought or their nominee(s) or an associate of such a Director or their nominee(s).

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In accordance with section 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) Ms Kristie Young and/or her nominee(s) or her associate; or
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution but expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO PHIL THICK, DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following **ordinary resolution**:

“Subject to the passing of Resolution 5, that under and for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Company is authorised to issue 3,000,000 Performance Rights to Mr Phil Thick (who is a Director) and/or his nominee(s) pursuant to the Lithium Australia NL Securities Incentive Plan on the terms and conditions and in the manner set out in the Explanatory Memorandum.”

Voting Exclusion Statement

The Company will disregard any votes cast in favour of this Resolution by any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought or their nominee(s) or an associate of such a Director or their nominee(s).

However, this does not apply to a vote cast in favour of this Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or the attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement

In accordance with section 250BD and 250R of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) Mr Phil Thick and/or his nominee(s) or his associate; or
- (b) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution and:

- (a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution but expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly with the remuneration of a member of the Key Management Personnel.

DATED: 8 September 2021
BY ORDER OF THE BOARD

Barry Woodhouse
COMPANY SECRETARY
LITHIUM AUSTRALIA NL

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding how to vote on the Resolutions. The Directors recommend that Shareholders read this Explanatory Memorandum in full, together with the accompanying Notice.

1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF 830,045 SHARES TO SENIOR MANAGERS

1.1 Background

On 21 January 2021, the Company satisfied amounts outstanding to senior managers employed or engaged by the Company, for services rendered during the CoVID pandemic to the Company, by the issue of 830,045 Shares in lieu of a cash payment of their wages or fees in order to preserve the Company's cash reserve.

The Company issued the 830,045 Shares to the senior managers (**Manager Shares**) without prior Shareholder approval out of its 15% annual capacity under ASX Listing Rule 7.1 on 21 January 2021 (**Manager Share Issue Date**).

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of those Shares.

1.2 ASX Listing Rule 7.4

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

The issue of the Manager Shares does not fit within any of these exceptions and, as it has not yet been approved by the Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the Manager Share Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 1 seeks Shareholder approval to the issue of the Manager Shares under and for the purposes of Listing Rule 7.4.

If Resolution 1 is passed, the issue of the Manager Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Manager Share Issue Date.

If Resolution 1 is not passed, the issue of the Manager Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the Manager Share Issue Date.

1.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 1:

(a) *The number and class of securities the Company issued*

830,045 Shares were issued. The Manager Shares issued are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

(b) *The price or other consideration the Company received for the issue*

The Manager Shares were issued for nil consideration as they were issued in satisfaction of amounts outstanding to the senior managers. The deemed issue price was \$0.05559 per Share.

(c) *The date or dates on which the securities were or will be issued*

The Manager Shares were issued on 21 January 2021.

(d) *The names of the persons to whom the entity issued the securities or the basis on which those persons were identified or selected*

The Manager Shares were issued to senior managers of the Company (or their nominee(s)) who are not related parties of the Company, as listed below:

386,605 Shares were issued to Xavier Pty Ltd.

443,440 Shares were issued to General Research AG.

(e) *The purpose of the issue, including the use or intended use of any funds raised by the issue*

The Manager Shares were issued in lieu of cash as payment of wages or invoices for services rendered to the Company in order to preserve the Company's cash reserve during the COVID pandemic. Accordingly, no funds raised from this issue of the Manager Shares.

1.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 1. The Board believes that the ratification of the issue of the Manager Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 1 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE OF 15,000,000 SHARES TO ACUITY CAPITAL

2.1 Background

On 21 January 2021, the Company issued 15,000,000 Shares to Acuity Capital Investment Management Pty Ltd pursuant to a private placement undertaken by the Company after it utilised its Controlled Placement Agreement (CPA) with Acuity (**Resolution 2 Acuity Shares**).

The Company issued the Resolution 2 Acuity Shares without prior Shareholder approval out of its 10% capacity under ASX Listing Rule 7.1A.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of the Resolution 2 Acuity Shares on 21 January 2021 (**Resolution 2 Acuity Shares Issue Date**).

2.2 ASX Listing Rule 7.4

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month

period to 15% of the fully paid ordinary securities it had on issue at the start of that period. Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%. The Company sought and obtained such approval at its annual general meeting on 27 November 2020. The issue of the Resolution 2 Acuity Shares does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the Company's 10% limit in ASX Listing Rule 7.1A, reducing the Company's capacity to issue further Equity Securities without Shareholder approval under ASX Listing Rule 7.1A for the 12 month period following the Resolution 2 Acuity Shares Issue Date.

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with Shareholder approval for the purposes of those Listing Rules if shareholders subsequently approve it and the issue did not breach ASX Listing Rule 7.1, and so does not reduce the entity's capacity to issue further equity securities without shareholder approval under that Listing Rule.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. Accordingly, Resolution 2 seeks Shareholder approval for the issue of the 15,000,000 Resolution 2 Acuity Shares under and for the purposes of ASX Listing Rule 7.4.

If Resolution 2 is passed, the issue of 15,000,000 Resolution 2 Acuity Shares on the Resolution 2 Acuity Shares Issue Date will be excluded in calculating the Company's 10% limit under ASX Listing Rule 7.1A effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the Resolution 2 Acuity Shares Issue Date.

If Resolution 2 is not passed, the issue of 15,000,000 Resolution 2 Acuity Shares on the Resolution 2 Acuity Shares Issue Date will be included in calculating the Company's 10% limit in ASX Listing Rule 7.1A, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Resolution 2 Acuity Shares Issue Date.

2.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 2:

(a) *The names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

The Shares were issued to Acuity Capital Investment Management Pty Ltd as trustee for the Acuity Capital Holdings A/C.

(b) *The number of securities issued*

15,000,000 Shares were issued.

(c) *The terms of the securities*

The Shares are fully paid ordinary shares and rank pari passu with the other Shares on issue.

(d) *The date or dates upon which the securities were issued*

The Shares were issued on 21 January 2021.

(e) *The price at which the securities were issued*

\$0.1584 per Share.

(f) *The use (or intended use) of the funds raised*

It is intended that funds raised by the issue of the Shares will be used towards commercialisation of Envirostream's recycling business, funding for the VSPC feasibility studies, funding for the LieNA® pilot plant and working capital purposes.

(g) *If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement*

As previously announced on 31 July 2017, 17 October 2017, 31 October 2017, 14 November 2017, 13 February 2018, 10 December 2019, 3 February 2020 and 22 January 2021, the CPA provided the Company with up to \$12,500,000 of standby equity capital (see announcements above). The Company and Acuity Capital have agreed to increase the CPA facility to \$25,000,000. The Company has previously utilised the CPA to raise approximately \$12,000,000. Following the increase of the CPA limit to \$25,000,000, the remaining standby equity capital available to the Company under the CPA is approximately \$13,000,000.

As consideration for the above the Company has agreed to increase the Shares held as security by Acuity Capital under the CPA to a total of 45,000,000 Shares through the issue of an additional 30,000,000 Shares out of its ASX Listing Rule 7.1 capacity (**Collateral Shares**). The Company may at any time cancel the CPA (including buying back and cancelling the Collateral Shares) for nil cash consideration (subject to any required regulatory and Shareholder approvals).

Please note there is no requirement on Lithium Australia to utilise the CPA and there were no fees or costs associated with the increase in the CPA.

2.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 2. The Board believes that the ratification of the issue of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 2 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF 3,125,000 SHARES TO DEUTSCHE ROHSTOFF

3.1 Background

On 29 April 2021, the Company announced that it had completed a commercialisation agreement with Deutsche Rohstoff AG (**DRAG**), a German natural resources holding and investment company. The agreement provides for the issue of an exclusive LieNA® licence in Europe, subject to DRAG:

- subscribing for 3,125,000 fully paid ordinary shares in the capital of the Company for A\$250,000 at commencement;
- subscribing for A\$400,000 of fully paid ordinary shares in the capital of the Company priced at 125% of the 30-day VWAP for those shares on the day that construction of the pilot plant is completed;
- paying Lithium Australia A\$400,000 on delivery of a positive, European-based pre-feasibility study, and
- paying a 2% gross royalty on product generated through application of the LieNA® process in Europe.

The agreement will expire if DRAG fails to construct a LieNA® plant in Europe within a period of 10 years from the commencement date.

On 7 May 2021 (**DRAG Issue Date**) the Company issued 3,125,000 Shares (**DRAG Shares**) at a price of \$0.08 per Share to raise \$250,000 (**DRAG Issue**) pursuant to the commercialisation agreement.

The Company issued the DRAG Shares without prior Shareholder approval out of its 15% annual capacity under ASX Listing Rule 7.1.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of the DRAG Shares.

3.2 ASX Listing Rule 7.4

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15 % of the fully paid ordinary securities it had on issue at the start of that period.

The DRAG Issue does not fit within any of these exceptions under Listing Rule 7.1 and, as it has not yet been approved by the Shareholders, it effectively uses up part of the Company's 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the DRAG Issue Date.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, Resolution 3 seeks Shareholder approval to the DRAG Issue under and for the purposes of Listing Rule 7.4.

If Resolution 3 is passed, the DRAG Issue will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the DRAG Issue Date.

If Resolution 3 is not passed, the DRAG Issue will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities it can issue without Shareholder approval over the 12 month period following the DRAG Issue Date.

3.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 3:

(a) *The number and class of securities the entity issued*

3,125,000 Shares were issued. The DRAG Shares issued are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

(b) *The price or other consideration the Company has received for the issue*

The issue price was \$0.08 per Share.

(c) *The date or dates on which the securities were or will be issued*

The DRAG Shares were issued on 7 May 2021.

(d) *The names of the persons to whom the entity issued the securities or the basis on which those persons were identified or selected*

The Shares were issued to Deutsche Rohstoff AG, which is not a related party of the Company.

(e) *The purpose of the issue including the use or intended use of any funds raised by the issue*

Funds raised by the issue of the Shares will be used for the LieNA® pilot plant program and working capital purposes.

- (f) *If the securities were issued or will be issued under an agreement, a summary of any other material terms of the agreement*

A summary of the material terms of the commercialisation agreement between the Company and DRAG pursuant to which the DRAG Shares were agreed to be issued is set out in Section 3.1.

3.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 3. The Board believes that the ratification of the issue of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 3 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

4. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF 15,000,000 SHARES TO ACUITY CAPITAL

4.1 Background

On 6 August 2021, the Company issued 15,000,000 Shares to Acuity Capital Investment Management Pty Ltd pursuant to a private placement undertaken by the Company after it utilised its CPA with Acuity (**Resolution 4 Acuity Shares**).

The Company issued the 15,000,000 Resolution 4 Acuity Shares without prior Shareholder approval out of its 10% capacity under ASX Listing Rule 7.1A.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 and for all other purposes of the issue of the Resolution 4 Acuity Shares on 6 August 2021 (**Resolution 4 Acuity Shares Issue Date**).

4.2 ASX Listing Rule 7.4

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period. Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%. The Company sought and obtained such approval at its annual general meeting on 27 November 2020. The issue of the Resolution 4 Acuity Shares does not fit within any of these exceptions and, as it has not yet been approved by Shareholders, it effectively uses up part of the Company's 10% limit in ASX Listing Rule 7.1A, reducing the Company's capacity to issue further Equity Securities without Shareholder approval under ASX Listing Rule 7.1A for the 12 month period following the Resolution 4 Acuity Shares Issue Date.

ASX Listing Rule 7.4 provides that an issue of securities made without approval under ASX Listing Rule 7.1 will be treated as having been made with Shareholder approval for the purposes of those Listing Rules if shareholders subsequently approve it and the issue did not breach ASX Listing Rule 7.1, and so does not reduce the entity's capacity to issue further equity securities without shareholder approval under that Listing Rule.

The Company wishes to retain as much flexibility as possible to issue additional Equity Securities in the future without having to obtain Shareholder approval for such issues under ASX Listing Rule 7.1. Accordingly, Resolution 4 seeks Shareholder approval for the issue of the 15,000,000 Resolution 4 Acuity Shares under and for the purposes of ASX Listing Rule 7.4.

If Resolution 4 is passed, the issue of 15,000,000 Resolution 4 Acuity Shares on the Resolution 4 Acuity Shares Issue Date will be excluded in calculating the Company's 10% limit under ASX Listing Rule 7.1A

effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12 month period following the Resolution 4 Acuity Shares Issue Date.

If Resolution 4 is not passed, the issue of 15,000,000 Resolution 4 Acuity Shares on the Resolution 4 Acuity Shares Issue Date will be included in calculating the Company's 10% limit in ASX Listing Rule 7.1A, effectively decreasing the number of Equity Securities it can issue without Shareholder approval over the 12 month period following the Resolution 4 Acuity Shares Issue Date.

4.3 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 4:

- (a) *The names of the persons to whom the entity issued the securities or the basis on which those persons were determined*

The Shares were issued to Acuity Capital Investment Management Pty Ltd as trustee for the Acuity Capital Holdings A/C.

- (b) *The number of securities issued*

15,000,000 Shares were issued.

- (c) *The terms of the securities*

The Shares are fully paid ordinary shares and rank pari passu with the other Shares on issue.

- (d) *The date or dates upon which the securities were issued*

The Shares were issued on 6 August 2021.

- (e) *The price at which the securities were issued*

\$0.1183 per Share.

- (f) *The use (or intended use) of the funds raised*

Funds raised by the issue of the Shares will be used towards commercialisation of Envirostream's recycling business, funding for the VSPC feasibility studies, funding for the LieNA[®] pilot plant and working capital purposes.

- (g) *If the securities were or will be issued under an agreement, a summary of any other material terms of the agreement*

As previously announced on 31 July 2017, 17 October 2017, 31 October 2017, 14 November 2017, 13 February 2018, 10 December 2019, 3 February 2020 and 22 January 2021, the CPA provided the Company with up to \$12,500,000 of standby equity capital (see announcements above). The Company and Acuity Capital have agreed to increase the CPA facility to \$25,000,000. The Company has previously utilised the CPA to raise approximately \$12,000,000. Following the increase of the CPA limit to \$25,000,000, the remaining standby equity capital available to the Company under the CPA is approximately \$13,000,000.

As consideration for the above the Company has agreed to increase the shares held as security by Acuity Capital under the CPA to a total of 45,000,000 Shares through the issue of an additional 30 million Shares out of its ASX Listing Rule 7.1 capacity (**Collateral Shares**). The Company may at any time cancel the CPA (including buying back and cancelling the Collateral Shares) for nil cash consideration (subject to any required regulatory and Shareholder approvals).

Please note there is no requirement on Lithium Australia to utilise the CPA and there were no fees or costs associated with the increase in the CPA.

4.4 Directors' recommendation

None of the Directors have a material personal interest in the subject matter of Resolution 4. The Board believes that the ratification of the issue of the Shares is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 4 as it provides the Company with the flexibility to issue, subject to the limits under the ASX Listing Rules, further securities during the next 12 months without Shareholder approval.

5. RESOLUTION 5 – APPROVAL OF LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN AND RESOLUTION 6 – APPROVAL OF POTENTIAL TERMINATION BENEFITS UNDER LITHIUM AUSTRALIA NL SECURITIES INCENTIVE PLAN

5.1 Background to Resolution 5 and Resolution 6

Resolution 5 is a resolution which seeks Shareholder approval for the Lithium Australia NL Securities Incentive Plan (**Incentive Plan**).

A summary of the terms and conditions of the Incentive Plan is set out in Annexure A to this Notice of Meeting.

Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain equity securities, including options. The effect is that shareholder approval is required before the company may issue equity securities representing more than 15% of the capital of the company within a 12 month period. However, certain issues are exempt from the restrictions of Listing Rule 7.1 and are effectively disregarded for the purposes of determining the number of securities which a company may issue within a 12 month period. Exempt issues include an issue of securities to persons participating in an employee incentive scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue when the notice of meeting contains or is accompanied by certain prescribed information (set out below) (Exception 13 of Listing Rule 7.2).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company flexibility to issue securities, Shareholders are requested to approve the issue of securities under the Incentive Plan (**Plan Securities**) as an exemption from Listing Rule 7.1. This approval will be effective for a period of three (3) years from the date of the Resolution. It should be noted that Resolution 5 does not approve the issue of any Plan Securities to any Director, employee or consultant of the Company. Plan Securities cannot be granted to Directors or associates of the Company unless prior approval of Shareholders is obtained in accordance with the Listing Rules.

The main purpose of the Incentive Plan is to give an additional reward to Directors, employees and consultants of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its Directors, employees and consultants for their efforts. The Incentive Plan is a reward plan designed to increase the motivation of personnel and create a stronger link between increasing Shareholder value and personnel reward.

If convertible securities issued under the Plan are exercised, it will have the effect of increasing the Company's cash position by the amount of the exercise price multiplied by the number of Plan convertible securities exercised. It will also increase the number of Shares that are on issue by the number of Plan convertible securities exercised.

Shares issued pursuant to the exercise of Plan convertible securities will rank pari passu in all respects with the Company's existing Shares.

Application will not be made for official quotation on the ASX of the Plan Securities.

The Board believes that the Incentive Plan will:

- enable the Company to recruit and retain the talented people needed to achieve the Company's business objectives;
- link the rewards of key personnel with the achievements of strategic goals and the performance of the Company;
- align the financial interest of participants in the Incentive Plan with those of shareholders of the Company; and
- provide reward to participants in the Incentive Plan to focus on superior performance that creates shareholder value.

Resolution 6 seeks Shareholder approval for the potential grant of termination benefits under the Incentive Plan, for the purposes of Sections 200B and 200E of the Corporations Act.

5.2 ASX Listing Rule 7.2 (Exception 13) and ASX Listing Rule 10.15 Disclosure Requirements

In accordance with Listing Rule 7.2 (Exception 13) and ASX Listing Rule 10.15 the following information is disclosed to Shareholders for the purposes of Resolution 5:

- (a) A summary of the terms and conditions of the Incentive Plan is set out in Annexure A to this Notice of Meeting.
- (b) A voting exclusion statement is included in the Notice.
- (c) If Shareholder approval to the adoption of the Incentive Plan is granted pursuant to Resolution 5, offers of Performance Rights to Company Directors Ms Young and Mr Thick will be made under the Incentive Plan, for which Shareholder approval will be sought pursuant to Resolutions 7 and 8. A total of 6,750,000 Performance Rights are proposed to be issued under the Incentive Plan pursuant to Resolutions 7 and 8. No other offers have been made under the Incentive Plan as at the date of this Notice or will have been made at the date of the Meeting.
- (d) The current Directors to whom the Incentive Plan would apply are Messrs Griffin, Bauk and Thick and Ms Young. As Directors, ASX Listing Rule 10.14.1 applies to Messrs Griffin, Bauk and Thick and Ms Young. As at the date of this Notice no other persons referred to in ASX Listing Rule 10.14, apart from those Directors, will be entitled to participate in the Incentive Plan. Directors who are appointed after Resolution 5 is approved will become entitled to participate in the Incentive Plan but will not be permitted to do so until after Shareholder approval required under ASX Listing Rule 10.14 (or otherwise under chapter 10 of the ASX Listing Rules) is obtained or ASX grants a waiver from this requirement. There is no guarantee that a waiver will be applied for, or if sought, granted.
- (e) The exact number of Plan Securities that may be issued under the Plan cannot be determined as at the date of this Notice. The Board will make determinations from time to time during the currency of the Incentive Plan as to whether Plan Securities should be issued under it at their discretion and subject to any approvals that may be required under the ASX Listing Rules including ASX Listing Rule 10.14.
- (f) The maximum number of securities proposed to be issued under the Plan over the next three years is 48,155,838 Plan Securities. If Shareholder approval of Resolution 5 is not obtained, any Plan Securities granted will not be excluded from the Company's placement capacity.
- (g) The Company intends to commence operation of the Incentive Plan with effect from the date of the Meeting in the event of Shareholder approval of Resolution 5.
- (h) Details of any Plan Securities issued under the Plan will be published in each annual report of the Company relating to the period in which they have been issued together with a statement that approval for the issue of the Plan Securities was obtained under Listing Rule 10.14.
- (i) No loans have or will be made by the Company in connection with the grant of Plan Securities to any Director.

5.3 Section 200B of the Corporations Act

The Corporations Act restricts the benefits which can be given to certain persons (those who hold a managerial or executive office, as defined in the Corporations Act) on leaving their employment or office with the company or any of its related bodies corporate. Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or its related bodies corporate if it is approved by shareholders or an exemption applies. This applies to all Directors and to all key management personnel of the Company (that is, to all persons whose remuneration is required to be disclosed in the Remuneration Report), including those who are not Directors. Additionally, persons subject to the restrictions remain subject to them for at least three years after they cease to hold a managerial or executive office.

Under the terms and conditions of the proposed Incentive Plan (the subject of Resolution 5), circumstances in which the early vesting of convertible Plan Securities are permitted at the Board's discretion include termination of a participant's employment, engagement or office with the Company due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides, or in other circumstances where the Board exercises its discretion to allow early vesting as well as change of control events. The termination "benefit" under section 200B of the Corporations Act has a wide operation and relevantly includes, in the context of Resolution 5, the early vesting of Plan Securities upon the exercise of the Board's discretion or the Board determining to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course.

Resolution 5 seeks approval of any "termination benefit" that may be provided to a participant under the terms and conditions of Plan Securities that might be issued in the future to persons who from, time to time, hold a managerial or executive office (as defined in the Corporations Act) in the Company, to the extent permitted by law. The Company will obtain any Shareholder or other approvals that may be required before any Plan Securities are granted to Directors or associates of the Company.

Resolution 6 is conditional upon the passing of Resolution 5 (which seeks Shareholder approval of the Incentive Plan). In the event that Resolution 5 is not passed, Resolution 6 will be withdrawn and will not be put to Shareholders.

Specifically, Shareholder approval is being sought to give the Board (or the Board's delegate) the capacity to exercise certain discretions under the terms and conditions of Plan Securities to be issued in the future to persons who hold a managerial or executive office (as defined in the Corporations Act) in the Company to the extent permitted by law (under Resolution 6), including the discretion to determine to vest some or all of the unvested Plan Securities of any such person.

The Company is seeking approval to assist the Company in meeting its existing obligations to the Directors and employees of the group, and to provide the Company with the flexibility to continue to remunerate employees fairly and responsibly.

If the relevant Shareholder approvals are obtained under Resolutions 5 and 6, and the Board exercises its discretion to vest some or all of an affected participant's unvested Plan Securities, (or to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course), the value of these benefits will be disregarded when calculating the relevant participant's statutory cap for the purposes of section 200F(2)(b) or section 200G(1)(c) of the Corporations Act.

The Company will comply with the requirements of ASX Listing Rule 10.19 in the event that an officer of the Company or any of its subsidiaries is entitled to termination benefits exceeding 5% of the Company's equity interests.

The terms and conditions of the Incentive Plan are summarised in Annexure "A" to this Notice of Meeting.

5.4 Section 200E of the Corporations Act

Section 200E of the Corporations Act requires certain information to be provided to shareholders in approving a termination benefit. Whilst the value of the proposed termination benefits cannot currently be ascertained, the manner in which the value of the proposed termination benefits is calculated, and the matters, events and circumstances that will, or are likely to, affect the calculation of the value are as follows:

(a) *Details of the termination benefits*

The terms and conditions of any Plan Securities to be issued in the future may contain provisions dealing with the early vesting of unvested Plan Securities in certain circumstances. For example, where the holder's office with the Company is terminated before the Plan Securities have vested, the Plan Securities may vest in the Board's discretion and the basis on which vesting may occur (which may include, without limitation, timing and conditions). Similarly, if a "change of control" occurs, the Board may determine that some or all of a participant's unvested Plan Securities will vest. The Board may also determine to provide that the participant's Plan Securities do not lapse but will continue and be vested in the ordinary course. The exercise of these and other discretions in the Incentive Plan will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

Shareholder approval is sought for future issues of Plan Securities under Resolution 5, to the extent permitted by law, for exercise of these and other discretions in the Incentive Plan that will constitute a benefit for the purposes of the Corporations Act's termination benefits provisions. The Company will obtain any required Shareholder or other approvals before issuing Plan Securities to Directors or associates of the Company. The exercise of these discretions will constitute a "benefit" for the purposes of the Corporations Act's termination benefits provisions.

(b) *Value of the termination benefits*

The value of the termination benefits under the proposed terms and conditions of the Plan Securities cannot be determined in advance as various matters will, or are likely to affect that value. Specifically, if any Plan Securities are issued in the future, the value of a particular benefit will depend on the Company's Share price at the time of vesting and the number of Plan Securities that vest or the Board decides to vest. Some of the future factors that may affect the value of the termination benefits are as follows:

- (i) the holder's length of service and the proportion of any relevant performance periods that have expired at the time their office is terminated;
- (ii) the holder's total fixed remuneration at the time the Plan Securities are issued and at the time they leave employment; and
- (iii) the number of unvested Plan Securities held at the time their office is terminated; and
- (iv) the reasons for termination of their office.

Despite an approval by Shareholders of Resolution 5 and Resolution 6, any future grant of Plan Securities to a Director or his or her associates will remain subject to the Company obtaining any required Shareholder or other approval for their issue.

5.5 Directors' Recommendation for Resolution 5 and Resolution 6

As the Directors may have a personal interest in Resolution 5 and Resolution 6, the Directors make no recommendation as to how Shareholders should vote on these resolutions.

6. RESOLUTIONS 7 – 8 – ISSUE OF PERFORMANCE RIGHTS TO DIRECTORS

6.1 Background to Resolutions 7 - 8

Subject to the passing of Resolution 5 (seeking Shareholder approval for the Lithium Australia NL Securities Incentive Plan) the Company is proposing to issue 6,750,000 Performance Rights in aggregate to Directors Kristie Young and Phil Thick under the Lithium Australia NL Incentive Plan pursuant to Resolutions 7 and 8.

Listing Rule 10.14 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not allow any of the following persons to acquire equity securities under an employee incentive scheme:

- (a) a director of the company;
- (b) an associate of a director of the company; or
- (c) a person whose relationship with the company or a person referred to in paragraph (a) or (b) is such that, in ASX's opinion, the acquisition should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issues the subject of Resolutions 7 and 8 inclusive fall within paragraph (a) above (being Listing Rule 10.14.1) and therefore require the approval of Shareholders under Listing Rule 10.14.

Resolutions 7 and 8 seek the required Shareholder approval to the issue of Performance Rights to Directors Mr Thick and Ms Young under and for the purposes of Listing Rule 10.14. Resolutions 7 and 8 are conditional upon the passing of Resolution 5 (which seeks Shareholder approval of the Incentive Plan pursuant to which the Performance Rights the subject of Resolutions 7 and 8 are proposed to be issued). In the event that Resolution 5 is not passed, Resolutions 7 and 8 will be withdrawn and will not be put to Shareholders.

If Resolutions 5, 7 and 8 are each passed, the Company will be able to proceed to issue the respective Performance Rights to Mr Thick and Ms Young.

If Resolutions 5, 7 and 8 are not passed, the Company will not be able to proceed to issue the respective Performance Rights to Mr Thick and Ms Young.

6.2 Terms and Conditions of the Performance Rights

The terms and conditions of the Performance Rights are summarised within the summary of the terms and conditions of the Incentive Plan contained in Annexure A.

The Performance Rights will be issued for no consideration. No consideration is payable for the conversion of Performance Rights to Shares.

Issue of 3,750,000 Performance Rights to Ms Young (Resolution 7)

On 11 December 2020, the Board offered, and Ms Young accepted the letter of offer of appointment as non-executive Director. Amongst other items, the letter of offer included the issue of 3,750,000 Performance Rights on the same terms and conditions as had been listed in the Company's 2020 Notice of Annual General Meeting (**2020 AGM**) dated 19 November 2020. At the 2020 AGM, Shareholders approved the issue of 22,500,000 Performance Rights to then Directors Messrs Griffin, Dixon and Bauk. On 22 January 2021, the Company advised that the Performance Rights had vested due to the unexpected increase in the Company's share price in December and January. Given that the hurdles were reached in January and the Performance Rights vested, subject to Shareholder approval being sought pursuant to Resolution 7, if these 3,750,000 Performance Rights are issued to Ms Kristie Young, the performance hurdles will have been reached and Ms Young will be given an offer to exercise the Performance Rights immediately upon their issue.

If these Performance Rights are issued, the terms and conditions in relation to this particular series of Performance Rights will be completed.

The Company has valued the Performance Rights. See **Annexure B** for details of the valuation.

Issue of a new series of Performance Rights – Target Share price of \$0.15 and \$0.20 (Resolution 8)

The Company is cognisant of the requirement to preserve cash, while providing the principal drivers of Shareholder value with appropriate incentives. The Board considered that a sustained and substantial target increase in the Share price at 82% is not an easy target, but if the target is reached, then all

Shareholders will benefit. This is an appropriate incentive for Directors as **the current annualised VWAP is approximately \$0.1221.**

The Performance Rights milestones will be based on adjusted share price milestone (ASPM) of one fully paid share in the capital of the Company. The price milestone target ascribed to each of the three performance hurdles will be the 20-day VWAP adjusted to reflect the impact of any:

- Declared dividend;
- Capital returns;
- Cash or scrip distributions;
- Bonus issues;
- Share splits; and
- Share consolidations.

For example, in the event of a declared dividend, the price milestone target will increased by the aggregate of any amount paid and the value of any associated tax credits.

The 20-day VWAP price milestone target ascribed to the hurdles is based on the 20-day VWAP of \$0.1323 as at valuation date and the ASPM as noted below.

Performance hurdles					
Hurdle number	20 Day VWAP at value date	ASPM	% Value Increase	Target Share Value	Performance Period
H1	\$0.1323	\$0.0177	14%	\$0.15	5 years
H2	\$0.1323	\$0.0677	52%	\$0.20	5 years

Australian Accounting Standard 2 Share-based Payment ('AASB 2') states in paragraph 19 that vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On the other hand, paragraph 21 states that market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments granted.

Therefore, the assessment of performance hurdle 1 is that it is a market vesting condition and in accordance with AASB 2, have been valued using a Monte Carlo simulation option pricing model based on the 20-day VWAP as at the valuation date. Further information in relation to the valuation of these Performance Rights are listed in Annexure B.

Distribution of New Performance Rights				
Share Value	ASPM	% value increase	Phil Thick	Total
\$0.15	\$0.0177	14%	1,000,000	1,000,000
\$0.20	\$0.0677	52%	2,000,000	2,000,000
Total			3,000,000	3,000,000

A summary of the Incentive Plan under which the Performance Rights are to be issued is set out in **Annexure A.**

6.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the issue of Performance Rights) to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions of Chapter 2E of the Corporations Act; or
- (b) prior Shareholder approval is obtained for the giving of the financial benefit.

For the purposes of Chapter 2E, each Director is considered to be a related party of the Company. The proposed issue of Performance Rights to Directors and/or their nominee(s) involves the provision of a financial benefit to a related party of the Company. Section 211 of the Corporations Act provides an exception to the provisions of Chapter 2E where the financial benefit is remuneration that would be reasonable given the circumstances of the Company and the related party's circumstances. The Board has determined that proposed grant of Performance Rights to Mr Thick and Ms Young falls within the exemption contained in section 211 of the Corporations Act as reasonable remuneration.

6.4 ASX Listing Rule Disclosure Requirements

Pursuant to and in accordance with ASX Listing Rule 10.14 the following information is provided in relation to Resolutions 7 and 8:

- (a) Directors Mr Thick and Ms Young (or their nominees) are the persons to whom equity securities (being Performance Rights) will be issued if Resolutions 7 and 8 are passed by Shareholders. Mr Thick and Ms Young are both Directors and therefore ASX Listing Rule 10.14.1 applies to them.
- (b) 3,750,000 Performance Rights are proposed to be issued to Ms Young pursuant to Resolution 7, and 3,000,000 Performance Rights are proposed to be issued to Mr Thick under Resolution 8.
- (c) The current remuneration packages of Mr Thick and Ms Young are set out below:

Resolution	Director	Position	Annual remuneration including superannuation and non cash benefits \$	Estimated value of Performance Rights \$ (Annexure B and Annexure C)	Total \$ (annual remuneration plus estimated value of Performance Rights)
6	Kristie Young	Non-Executive Director	60,000	394,126	454,126
7	Phil Thick	Non-Executive Director	60,000	287,700	347,700

- (d) The expiry date of the Performance Rights is 5 years from the date of their grant.
- (e) The nature of the financial benefit proposed to be given is the issue of Performance Rights for no consideration. The purpose of the issue is to provide cost effective consideration to Directors for their contribution to the Company in their respective roles.
- (f) The Performance Rights will be issued within 36 months of the date of the Meeting or such later date as the ASX Listing Rules permit (including such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).

- (g) No Performance Rights or other Plan Securities have previously been issued under the Incentive Plan to persons referred to in ASX Listing Rule 10.14, nor has the Incentive Plan previously been adopted by Shareholders.
- (h) All Directors are entitled to participate in the Incentive Plan and include Mr Thick and Ms Young.
- (i) The Performance Rights are to be granted for nil consideration and therefore no funds will be raised from their issue.
- (j) As at the date of this Notice, the Directors hold the following relevant interests in the securities in the Company:

Director	Ordinary Shares	Partly Paid Contributing Shares	Director Performance Rights proposed to be issued	Shareholding on a fully diluted basis*
Phil Thick	800,000	0	3,000,000	0.39%
Kristie Young	100,000	0	3,750,000	0.40%

*Assuming Shareholders approve the issue of the Performance Rights to Directors that are subject to Resolutions 7 and 8 and all Performance Rights and current options are exercised.

- (k) If Shareholders approve Resolutions 7 and 8, and all Performance Rights are issued and exercised, depending on the prevailing Share price at the time the Performance Rights are exercised (including all current unlisted Options held by Directors and the Performance Rights the subject of Resolutions 7 and 8) it will dilute the holdings of existing Shareholders by approximately 0.96%.
- (l) The Directors consider that the incentive represented by the issue of Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration.
- (m) The Company has valued the Performance Rights. See **Annexure C** for details of the valuation. Australian Accounting Standard 2 Share-based Payment ('AASB 2') states in paragraph 19 that vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On the other hand, paragraph 21 states that market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments grant. Due to the nature of the vesting conditions and the early stage nature of the company it is possible that the vesting conditions will not be met and thus no Performance Rights will vest. Therefore, the expense attributable to the Performance Rights and the value received by Directors from them could range between nil and the share price when the Performance Rights are granted. This valuation is not automatically the valuation for taxation purposes.
- (n) The Board recognises that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations states that non-executive directors should not receive performance rights as part of their remuneration. Notwithstanding this, the Board considers the issue of Performance Rights to the Directors is appropriate in the circumstances for the reasons set out in this section.

- (o) The Board has concluded that the totality of the Directors' remuneration packages, including the equity component of such number of Performance Rights proposed to be issued to Directors Ms Young and Mr Thick under Resolutions 7 and 8 respectively is fair and reasonable in the circumstances of the Company given its size and stage of development, market practice of other companies in the mineral exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of the Directors' management experience and knowledge of the mineral exploration industry.
- (p) Details of any securities issued under the Incentive Plan including the Performance Rights the subject of Resolutions 7 and 8 will be published in the annual report of the Company relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14.
- (q) Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Incentive Plan after Resolutions 7 and 8 are approved and who are not named in this Notice will not participate until approval is obtained under that rule.
- (r) The Board does not consider that there are any material taxation consequences or benefits foregone by the Company as a result of issuing the Performance Rights on the terms proposed.
- (s) Neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolutions other than as set out in this section.
- (t) If all the Performance Rights the subject of Resolutions 7 and 8 are granted and exercised, then the Company's fully paid share capital (based on the existing number of Shares and assuming no other Company securities are exercised or converted) will be diluted by 0.79%.
- (u) The Directors consider that the incentive represented by the grant of Performance Rights is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration.
- (v) The primary purpose of the grant of Performance Rights is to provide an incentive to Mr Thick and Ms Young. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Performance Rights that are the subject of Resolutions 7 and 8 (other than as set out in this section).
- (w) The Board has examined the individual remuneration packages of Directors to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives and non-executives in similar roles. The Board considers the grants to Mr Thick and Ms Young are appropriate in the circumstances for the reasons set out in this section.
- (x) No loans by the Company exist in relation to the proposed grant of the Performance Rights.
- (y) Based on its examination, the Board has concluded that the totality of Mr Thick and Ms Young's remuneration packages, including the equity component of up to 6,750,000 Performance Rights now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of the Company given its size and stage of development, market practice of other companies in the mineral exploration industry and given the necessity to attract and retain the highest calibre of skilled professionals to the Company whilst maintaining the Company's cash reserves, and in light of Mr Thick and Ms Young's significant management experience and knowledge of the and energy metals and mineral exploration industry.
- (z) Accounting standards require that granted Performance Rights be valued and expensed. The Directors do not consider that there are any other opportunity costs to the Company or benefits

forgone by the Company in respect of the proposed issue of Performance Rights pursuant to Resolutions 7 and 8

- (aa) The last available price of Shares quoted on ASX prior to the date of this Notice of Meeting on 1 September 2021 was \$0.12. The highest price for Shares trading on ASX over the last 12 months was \$0.18 on 21 January 2021 and the lowest price in that period was \$0.048 on 27 October 2020.

6.5 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that prior approval of shareholders is required for an issue of equity securities if the equity securities will, when aggregated with the equity securities issued by a company during the previous 12 months, exceed 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Approval pursuant to ASX Listing Rule 7.1 is not required (under Exception 14 to ASX Listing Rule 7.1) in order to issue the Performance Rights to Mr Thick and Ms Young and/or their nominee(s) as approval is being obtained under ASX Listing Rule 10.14.

Shareholders should note that the issue of securities to Mr Thick and Ms Young and/or their nominee(s) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

The Company is seeking approval to assist the Company in meeting its existing obligations to Directors and to provide the Company with the flexibility to continue to remunerate Directors fairly and responsibly.

ANNEXURE A – SUMMARY OF THE TERMS AND CONDITIONS OF THE LITHIUM AUSTRALIA NL INCENTIVE PLAN

The Lithium Australia NL Securities Incentive Plan (**Plan**) is being considered for approval by Shareholders at the General Meeting. The full terms of the Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Plan is set out below:

- (a) **(Eligible Participant):** Eligible Participant means a person that:
- (i) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); or
 - (ii) has been determined by the Board to be eligible to participate in the Plan from time to time.
- (b) **(Purpose):** The purpose of the Plan is to:
- (i) assist in the reward, retention and motivation of Eligible Participants;
 - (ii) establish a method by which Eligible Participants can participate in the future growth and profitability of the Company;
 - (ii) link the reward of Eligible Participants to Shareholder value creation;
 - (iii) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities; and
 - (iv) attract and retain a high standard of managerial and technical personnel for the benefit of the Company.
- (c) **(Plan administration):** The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.
- (d) **(Eligibility, invitation and application):** The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.

On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company.

The Board may accept an application from an Eligible Participant in whole or in part.

If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

- (e) **(Grant of Securities):** The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
- (f) **(Terms of Convertible Securities):** Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

- (g) **(Vesting of Convertible Securities):** Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.
- (h) **(Exercise of Convertible Securities and cashless exercise):** To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation. More than one signed Notice of Exercise can be delivered by a Participant in relation to a holding of Convertible Securities from the date of a Vesting Notice until the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

Market Value means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation. A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

- (i) **(Delivery of Shares on exercise of Convertible Securities):** As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.
- (j) **(Forfeiture or non forfeiture of Convertible Securities):** Where a Participant who holds Convertible Securities ceases to be an Eligible Participant, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest or remain non forfeited.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (i) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (ii) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

Good Leaver Where an Eligible Participant (who, or whose nominated party, holds Convertible Securities) becomes a Good Leaver, unless the Board determines otherwise vested Convertible Securities that have not been exercised will continue in force and remain exercisable until the Expiry Date and unvested Convertible Securities will be forfeited unless the Board determines otherwise. A Good Leaver means an Eligible Participant (who, or whose nominated party, holds Convertible Securities) who ceases employment, office or engagement with any Group Company ceases and who is not a Bad Leaver, and includes where an Eligible Participant's employment, office or engagement ceases due to death, permanent incapacity, mental incapacity, redundancy, resignation, retirement or any other reason the Board decides.

A **Bad Leaver** Unless the Board determines otherwise, where an Eligible Participant (who, or whose nominated party, holds Convertible Securities) becomes a Bad Leaver unvested Convertible Securities will be forfeited and vested Convertible Securities that have not been exercised will be forfeited on the date of the cessation of employment or office of such Participant in accordance with clause 10. A Bad Leaver means an Eligible Participant (who, or whose nominated party, holds Convertible Securities) whose employment, office or engagement with a Group Company ceases in any of the following circumstances: (i) the Eligible Participant's employment or engagement is terminated, or the Eligible Participant is dismissed from office, due to serious and wilful misconduct; a material breach of the terms of any contract of employment, engagement or office entered into by a Group Company and the Eligible Participant; gross negligence; or any other conduct justifying termination of employment, engagement or office without notice either under the Eligible Participant's contract of employment or engagement or office, or at common law; (ii) the Eligible Participant ceases his or her employment or engagement or office for any reason, and breaches a post-termination restriction contained in the Eligible Participant's employment contract; or (iii) the Eligible Participant becomes ineligible to hold his or her office for the purposes of Part 2D.6 (disqualification from managing corporations) of the Corporations Act.

Discretion The Board may decide (on any conditions which it thinks fit) that some or all of the Participant's Convertible Securities will not be forfeited at that time, but will be forfeited at the time and subject to the conditions it may specify by written notice to the Participant.

- (k) **(Change of control):** If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.
- (l) **(Rights attaching to Plan Shares):** All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, **(Plan Shares)** will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.
- (m) **(Disposal restrictions on Plan Shares):** If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (i) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
 - (ii) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
- (n) **(Adjustment of Convertible Securities):** If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

- (o) **(Participation in new issues):** There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.
- (p) **(Amendment of Plan):** Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have

been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

- (q) **(Plan duration)**: The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

ANNEXURE B – VALUATION OF 3.75M PERFORMANCE RIGHTS FOR MS KRISTIE YOUNG (RESOLUTION 7)

Valuation

The Performance Rights milestones will be based on adjusted share price milestone (ASPM) of one fully paid share in the capital of the Company. The price milestone target ascribed to each of the two performance hurdles will be the 20-day VWAP adjusted for:

- Share price appreciation,
- Declared dividend,
- Capital returns,
- Cash or scrip distributions,
- Bonus issues,
- Share splits, and
- Share consolidations.

The 20-day VWAP price milestone target ascribed to each of the performance hurdles are noted below:

Performance hurdles					
Hurdle number	20 Day VWAP at value date	ASPM	% Value Increase	Target Share Value	Performance Period
H2	\$0.05	\$0.05	100%	\$0.10	5 years
H3	\$0.05	\$0.07	140%	\$0.12	5 years

Australian Accounting Standard 2 Share-based Payment ('AASB 2') states in paragraph 19 that vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On the other hand, paragraph 21 states that market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments granted.

Therefore, our assessments of performance hurdles relating to the proposed issue of 3.75 million performance rights are that they are market vesting conditions and in accordance with AASB 2, have been valued using a Monte Carlo simulation option pricing model based on the 20-day VWAP as at the valuation date of 12 July 2021 of \$0.1107. See table below which lists the variables used as the basis for the valuation. There is no exercise price paid for the Performance Rights.

As the Company had, by way of an offer letter dated on or around 11 December 2020, offered the 3.75 million performance rights to Ms. Young, and although subject to Shareholder approval, would have already vested due to the unexpected increase in Lithium Australia's share price. Since these performance rights have already been considered to have vested, the fair value of the 3.75 million performance rights should reflect the value of the share price at the valuation date, being \$0.12, without the need to perform the Monte Carlo simulation. However, given the current 20-day VWAP is less than \$0.12 the value of the 3.75 million performance rights to Kristie Young is as follows.

Hurdles	No. Rights	Grant Date	Vesting Date Expiry Date	Expiry Period (Yrs)	Performance Measurement Period	Share Price Target	Consec days price must remain above target	Vesting Conditions	Fair Value	Total Value
H2	1,875,000	30/09/2021	30/09/2026	5.00	5.00	0.10	20	Market Vesting	0.1065	\$199,688
H3	1,875,000	30/09/2021	30/09/2026	5.00	5.00	0.12	20	Market Vesting	0.1037	\$194,438
	3,750,000									\$394,126

A further breakdown of Kristie Young's valuations is as follows:

Hurdles	No. Rights	Fair Value	Total Value
H2	1,875,000	\$0.1065	\$199,688
H3	1,875,000	\$0.1037	\$194,438
TOTAL	3,750,000		\$394,126

ANNEXURE C – VALUATION OF 3M PERFORMANCE RIGHTS (RESOLUTION 8)

Valuation

The Performance Rights milestones will be based on adjusted share price milestone (ASPM) of one fully paid share in the capital of the Company. The price milestone target ascribed to each of the two performance hurdles will be the 20-day VWAP adjusted for:

- Share price appreciation,
- Declared dividend,
- Capital returns,
- Cash or scrip distributions,
- Bonus issues,
- Share splits, and
- Share consolidations.

The 20-day VWAP price milestone target ascribed to each of the performance hurdles are noted below:

Hurdle number	Performance hurdles				
	20 Day VWAP at value date	ASPM	% Value Increase	Target Share Value	Performance Period
H1	\$0.1323	\$0.0177	13%	\$0.15	5 years
H2	\$0.1323	\$0.0677	52%	\$0.20	5 years

Australian Accounting Standard 2 Share-based Payment ('AASB 2') states in paragraph 19 that vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On the other hand, paragraph 21 states that market conditions, such as a target share price upon which vesting (or exercisability) is conditioned, shall be taken into account when estimating the fair value of the equity instruments granted.

Therefore, our assessments of performance hurdles relating to the proposed issue of 3 million performance rights are that they are market vesting conditions and in accordance with AASB 2, have been valued using a Monte Carlo simulation option pricing model based on the 20-day VWAP as at the valuation date of 12 July 2021 of \$0.1107. See table on the following page which lists the variables used as the basis for the valuation. There is no exercise price paid for the Performance Rights. A further breakdown of the individual directors' valuations is as follows:

Hurdles	# of instruments	Value per instrument \$	Total Value
Phil Thick			
H1	1,000,000	\$0.0997	\$99,700
H2	2,000,000	\$0.094	\$188,000
TOTAL	3,000,000		\$287,700

Valuation of Performance Rights based on Monte Carlo valuation model

Hurdles	No. Rights	Grant Date	Vesting Date and Expiry Date	Expiry Period (Yrs)	Performance Measurement Period	Share Price Target	Consec days price must remain above target	Vesting Conditions	Volatility	Continuously Compounded RFR	Dividend Yield	Fair Value	Total Value
H1	1,000,000	30/09/21	30/09/26	5.00	5.00	0.15	20	Market Vesting	78%	0.57%	0%	0.0997	\$99,700
H2	2,000,000	30/09/21	30/09/26	5.00	5.00	0.20	20	Market Vesting	78%	0.57%	0%	0.0940	\$188,000
	3,000,000												\$287,700

GLOSSARY

In this Explanatory Memorandum, the following terms have the following meaning unless the context otherwise requires:

\$ means Australian dollars.

2020 Annual Report means the Company's annual report including the reports of the Directors and auditor and the financial statements of the Company for the financial year ended 30 June 2020, which can be downloaded from the Company's website at www.lithium-au.com.

Acuity or **Acuity Capital** means Acuity Capital Investment Management Pty Ltd.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 724 791) and the market operated by it, as the context requires.

ASX Listing Rules or **Listing Rules** means the official Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time except to the extent of any express written waiver by ASX.

Board means the board of Directors.

Chair means the chairperson of the Meeting.

Closely Related Party is defined in respect of a member of Key Management Personnel as:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by regulations that may be made for this purpose.

Company, LIT or **Lithium Australia** means Lithium Australia NL (ABN 29 126 129 413).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) and any regulations made under it, each as amended from time to time.

CPA is defined in Section 2.1.

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities has the meaning given by the ASX Listing Rules and includes a Share, a Partly Paid Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as such.

Explanatory Memorandum means this explanatory memorandum which accompanies and forms part of the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Incentive Plan or **Plan** means the Lithium Australia NL Incentive Plan, a summary of the terms and conditions of which is set out in Annexure A.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice means the notice of meeting accompanying this Explanatory Memorandum.

Option means an option to acquire a Share.

Partly Paid Share means a partly paid share in the capital of the Company, paid to \$0.0101 and unpaid to \$0.0599.

Performance Right means a performance right in the Company issued on various terms and conditions.

Proxy Form means the proxy form accompanying this Explanatory Memorandum.

Remuneration Report means that section of the Directors' report under the heading "Remuneration Report" set out in the 2020 Annual Report.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Section means a section of this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Trading Day means a day determined by ASX to be a trading day and notified to market participants being:

- (a) a day other than:
 - (i) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day; and
 - (ii) any other day which ASX declares and publishes is not a trading day; and
- (b) notwithstanding (a), a day which for the purposes of settlement, ASX declares is a trading day notwithstanding that dealings between market participants are suspended on that day.

WST means Western Standard Time.

Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.

**PROXY FORM
LITHIUM AUSTRALIA NL
ABN 29 126 129 413**

GENERAL MEETING

I/We
of
appoint being a member of Lithium Australia NL entitled to attend and vote at the General Meeting, hereby

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at Level 1, 677 Murray Street, Perth WA at 9:00am WST on 11 October 2021, and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 5, 6, 7 and 8 (except where I/we have indicated a different voting intention below) even though Resolutions 5, 6, 7 and 8 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of prior issue of 830,045 Shares to senior managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of 15,000,000 Shares to Acuity Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of 13,125,000 Shares to DRAG	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of prior issue of 15,000,000 Shares to Acuity Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Lithium Australia NL Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of termination benefits under Lithium Australia NL Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of issue of Performance Rights to Kristie Young	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of issue of Performance Rights to Phil Thick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.
If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

Signature of Member(s): _____ Date: _____

Individual or Member 1	Member 2	Member 3
<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>	<input style="width: 100%; height: 20px;" type="text"/>
Sole Director/Company Secretary	Director	Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

E-mail Address: _____ Consent for contact by e-mail YES NO